



M E K E T A I N V E S T M E N T G R O U P

B O S T O N

S A N D I E G O

April 26, 2011

Dr. George Diehr
Chair, Investment Committee
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

RE: INTERIM ASSET ALLOCATION TARGETS

Dear Dr. Diehr:

As Infrastructure Consultant to the Board, Meketa Investment Group was asked to provide an opinion on Staff's recommendation to increase the quarterly interim policy targets for Infrastructure/Forestland. Staff proposes to increase the interim target allocation for Infrastructure/Forestland from the actual 1.2% target to 3% of the total fund by July 1, 2012, with an interim target of 2%, effective July 1, 2011.

Meketa Investment Group recommends the implementation of interim quarterly targets as an effective means of moving towards the new strategic policy targets that will take effect by Q3 2012. Of the interim 2% target for Infrastructure and Forestland, it is our understanding that the Forestland Program is currently close to its target allocation of 1% of the total fund and is expected to maintain this target allocation for all periods.

Please do not hesitate to contact us with any additional questions or comments.

Sincerely,

David Altshuler
Senior Vice President

Stephen P. McCourt
Managing Principal